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Order 2001-5-19  
Served: May 21, 2001

**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 16<sup>th</sup> of May, 2001

TRANSATLANTIC, TRANSPACIFIC,  
AND LATIN AMERICAN SERVICE  
SERVICE MAIL RATES  
INVESTIGATION

Docket OST-96-1629 - 26.5  
  
(Docket 37392)

**ORDER ESTABLISHING FINAL INTERNATIONAL SERVICE MAIL RATES UNTIL  
FURTHER DEPARTMENT ACTION**

**Summary**

By this order the Department is setting final International service mail rates for the period beginning five days after the service date of this order, until further Department action.

This update is necessitated by the submission of revised data by Continental Airlines. For comparison purposes, we show below a summary of current and proposed rates. Rates are for terminal only, because linehaul elements do not change. Likewise, only the Atlantic and Transborder regions are shown, because Continental is not part of either the Latin or Pacific Divisions. For the Transborder region, rates are for daylight container mail and for the Atlantic for space-available mail only.

	Order 2001-2-4 2001	New 2001	Percentage
	<u>Terminal</u>	<u>Terminal</u>	<u>Increase</u>
Atlantic	\$.2327	\$.25460	9.41%
T-Border	\$.11643	\$.11791	1.27%

**Background**

By Order 2000-11-5, November 9, 2000, the Department tentatively updated the international mail rates for calendar year 2001. On December 18 and December 22, American and United, respectively, objected that Continental's data appeared understated.<sup>1</sup> By Order 2001-1-2 the Department finalized the rates tentatively set by

<sup>1</sup> The Postal Service asked that the Department finalize the rates in Order 2000-11-5 until further Department action, thereby allowing the Department to adjust the rate during the upcoming period because the Postal Service wished to discuss with the carriers and the Department the issue of containerization. The Postal Service has indicated that it will attempt to arrange for such discussions in the near future.

Order 2001-1-2 until further Department action. The Department, as a general matter, prefers that rates be final and not retroactively adjustable, and the late filings of United and American did not provide enough time for the issues they raised to be resolved before the then-current rate was due to expire. Because the corresponding costs of TWA also appeared overstated and because both TWA and Continental had, as always, certified their costs to be accurate, the Department finalized the rate in the show cause order until further Department action as the appropriate rate. We also asked Continental and TWA to review their data submissions in light of the American and United objections and, for TWA, our own analysis. On May 1 Continental submitted revised numbers. On May 6, TWA submitted a letter stating that it had reviewed its data and found them to be accurate. By way of explanation for its high unit costs, TWA noted that between 1993 and 2000 it sharply reduced its Atlantic operations, but that in many instances the facilities and personnel to support the higher level of operations had not been reduced.

### **Discussion**

As stated earlier, because no carriers' linehaul costs are in question and because Continental, the carrier whose costs are in question, is only a part of the Atlantic and Transborder regions, only terminal mail rates in those two regions are affected. For ease of viewing, we have included in Appendix A to this order the rates for all of the regions, but have highlighted those rates that we are hereby revising. All of the rates reflect the application of cost adjustment factors developed in the remainder of the Appendices to the basic mail rate structures established by the Civil Aeronautics Board in Orders 78-11-80 and 80-1-25. The data used to adjust those rates are the carriers' reported costs of operations and associated traffic statistics for the YE 6/30/99 and 6/30/00 as set forth in their DOT Form 41 Reports.

### **Other Matters**

For a number of years we have adjusted traffic servicing expenses assigned to baggage and cargo for Northwest, shown in Appendix C, corresponding to similar adjustments we have previously made to Northwest's data. See Order 97-5-23, at pages 3 and 4 for a full discussion of this issue. While we are continuing that practice here, we have informally asked Northwest to review its data. Once Northwest has finished its review, we will either further modify this rate prospectively or, depending on circumstances, incorporate Northwest's revisions in our next annual update.

Likewise, we have reviewed Continental Micronesia's reported unit terminal costs in the Pacific region, as shown in Appendix D. These unit costs are less than half those of the next lowest cost operator in that region. Moreover, there is an affiliation between Continental Micronesia and Continental, who revised its reported costs. It is not unreasonable to expect similar revisions should be made to Continental Micronesia's costs as have been made to Continental's Atlantic and Transborder regions. We have therefore asked Continental Micronesia to review its reported data to determine if adjustments are appropriate.

Separate from the issue of revised data, we note that Continental's Latin American Division, historically part of the Transborder region, has less than 1.69% of total ATMs

and 1.09% of total tons enplaned of baggage and cargo in that region. As such an insignificant part of that region, it may be appropriate to eliminate them from consideration in setting the Transborder rate. We invite comments about either removing this division completely from all international mail rate calculations or alternatively transferring it to the Latin American region, where it would be a significant percentage of total operations. We do not propose to make any such change to the makeup of the cost pools until the next annual update period.

Finally, in the next annual update we anticipate adding carriers to the cost pools of various regions. Specifically, it appears that USAirways is of sufficient size to be added to the pool of Atlantic carriers, and similarly that American Airlines has grown in the Pacific to the extent it would be appropriate to include them as well.

**Accordingly**

1. We fix, determine, and publish the proposed final rates specified in Appendix A to be effective for the period beginning (5) days after the service date of this order until further Department action;<sup>2</sup>
2. Ordering paragraph 3(g) of Order 79-7-16, incorporated by reference, is amended by adding the following, to be effective five days after the service date of this order until further Department action:

<u>Standard Container</u>	<u>Daylight Container</u>
5.365 cents	5.322 cents
3. The terms and conditions applicable to the transportation of each class of mail at the rates established here are those set forth in Civil Aeronautics Board Orders 79-7-17 and 79-7-16;
4. This docket shall remain open until further order of the Department;
5. We shall serve this order upon all parties to this proceeding; and

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<sup>2</sup> If no revisions to data are made, as discussed in the order, we anticipate that this rate would be updated on January 1, 2002.

6. We are issuing this order on a final basis. Consistent with our rules, parties will have twenty days from the date of service of this order to petition the Department for reconsideration.

By:

**Susan McDermott**  
Deputy Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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<http://dms.dot.gov>

## INTERNATIONAL SERVICE MAIL RATES

Effective: Five days after service date of order, until further Department Action.

	CY 1975 Rates	Adj. Factors	Proposed Rates
<u>Linehaul Charge per Billing Ton-Mile, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.2022	56.95 %	\$0.3174
Space-Available Mail	\$0.1296	56.95 %	\$0.2034
<u>Terminal Charge per Pound Originated, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.1139	147.90 %	\$0.2824
Space-Available Mail	\$0.1027	147.90 %	\$0.2546
<u>Linehaul Charge per Billing Ton-Mile, Latin</u>			
Priority and Military Ordinary Mail	\$0.2135	89.47 %	\$0.4045
Space-Available Mail	\$0.1644	89.47 %	\$0.3115
<u>Terminal Charge per Pound Originated, Latin</u>			
Priority and Military Ordinary Mail	\$0.0983	156.83 %	\$0.2525
Space-Available Mail	\$0.0910	156.83 %	\$0.2337
<u>Linehaul Charge per Billing Ton-Mile, Pacific</u>			
Priority and Military Ordinary Mail	\$0.2188	116.22 %	\$0.4731
Space-Available Mail	\$0.1349	116.22 %	\$0.2917
<u>Terminal Charge per Pound Originated, Pacific</u>			
Priority and Military Ordinary Mail	\$0.1339	182.14 %	\$0.3778
Space-Available Mail	\$0.1159	182.14 %	\$0.3270
<b>CY 1974</b>			
	<b>Rates</b>		
<u>Linehaul Charge per Billing Ton-Mile, Transborder</u>			
Sack	\$0.11490	162.55 %	\$0.30167
Standard Container	\$0.08790	162.55 %	\$0.23078
Daylight Container	\$0.07050	162.55 %	\$0.18510
<u>Terminal Charge per Pound Originated, Transborder</u>			
<b>Capacity</b>			
<b>Taxi</b>			
Sack	\$0.00991	162.55 %	\$0.02602
Standard Container	\$0.00979	162.55 %	\$0.02570
Daylight Container	\$0.00973	162.55 %	\$0.02555
<b>Departure</b>			
Sack	\$0.01186	137.69 %	\$0.02819
Standard Container	\$0.01176	137.69 %	\$0.02795
Daylight Container	\$0.01164	137.69 %	\$0.02767
<b>Terminal</b>			
Sack	\$0.06064	270.30 %	\$0.22455
Standard Container	\$0.01746	270.30 %	\$0.06465
Daylight Container	\$0.01747	270.30 %	\$0.06469
<u>Total Terminal Charge per Pound Originated, Transborder</u>			
Sack	\$0.08241		\$0.27876
Standard Container	\$0.03901		\$0.11830
Daylight Container	\$0.03884		\$0.11791

**COST ADJUSTMENT FACTORS**  
(Expenses in Thousands)

**ATLANTIC RATE AREA**

	<u>CY 1975 1/</u>	<u>Year Ended June 30</u>		<u>% Change 3/</u>	<u>Estimated Unit Cost at June 30, 2001 4/</u>	<u>Percent Change CY 1975 to June 30, 2001</u>
		<u>1999 2/</u>	<u>2000 2/</u>			
<u>Linehaul Expense</u>						
Fuel		\$776,904	\$1,157,239			
Other		\$3,325,617	\$3,595,546			
Total	\$951,403	\$4,102,521	\$4,752,785			
Available Ton-miles (000)	5,416,524	16,841,083	18,865,711			
Fuel Cost/ATM	.	\$0.0461	\$0.0613	32.97%	\$0.0949	
Other Cost/ATM		\$0.1975	\$0.1906	-3.49%	\$0.1807	
Total	\$0.1756				\$0.2756	56.95%
Terminal Expense	\$87,362	\$502,758	\$543,918			
Tons of Baggage and Cargo Enplaned	504,007	979,482	1,138,039			
Cost per Ton Enplaned	\$173.33	\$513.29	\$477.94	-6.89%	\$429.68	147.90%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-1-A for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2000 unit costs divided by 1999 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 32.97% annual increase for fuel produces a 54.89% increase ( $1.3297 \times 1.16485 = 1.5489$ ) for an 18 month period.

**COST ADJUSTMENT FACTORS**  
(Expenses in Thousands)

**LATIN AMERICAN RATE AREA**

	<u>CY 1975 1/</u>	<u>Year Ended June 30,</u>		<u>% Change 3/</u>	<u>Estimated</u>	<u>Percent Change</u>
		<u>1999 2/</u>	<u>2000 2/</u>	<u>Year to Year</u>	<u>Unit Cost at</u>	<u>CY 1975 to</u>
					<u>June 30, 2001 4/</u>	<u>June 30, 2001</u>
<b>Linehaul Expense</b>						
Fuel		\$324,983	\$401,413			
Other		\$1,567,063	\$1,649,879			
Total	\$305,304	\$1,892,046	\$2,051,292			
Available Ton-miles (000)	1,560,336	6,244,613	6,267,949			
<b>Fuel Cost/ATM</b>		\$0.0520	\$0.0640	23.08%	\$0.0879	
<b>Other Cost/ATM</b>		\$0.2509	\$0.2632	4.90%	\$0.2829	
<b>Total</b>	\$0.1957				\$0.3708	89.47%
<b>Terminal Expense</b>						
<b>Tons of Baggs &amp; Cargo Enplaned</b>	\$29,521	\$197,142	\$208,126			
	185,834	491,208	515,178			
<b>Cost per Ton Enplaned</b>	\$158.86	\$401.34	\$403.99	0.66%	\$408.00	156.83%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-2-L for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2000 unit costs divided by 1999 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 23.08% annual increase for fuel produces a 37.28% increase ( $1.2308 \times 1.1154 = 1.3728$ ), in fuel cost for an 18 month period.

INTERNATIONAL SERVICE MAIL RATES  
COST ADJUSTMENT FACTORS  
(Expenses in Thousands)

PACIFIC RATE AREA

Linehaul Expense	CY 1975 1/	Year Ended June 30,		% Change 3/	Estimated Unit Cost at June 30, 2001 4/	Percent Change CY 1975 to June 30, 2001
		1999 2/	2000 2/			
Fuel		\$740,817	\$1,021,714			
Other		\$3,213,606	\$3,132,253			
Total	\$511,324	\$3,954,423	\$4,153,967			
Available Ton-miles (000)	3,670,476	14,606,691	14,983,823			
Fuel Cost/ATM		\$0.0507	\$0.0682	34.52%	\$0.1076	
Other Cost/ATM		\$0.2200	\$0.2090	-5.00%	\$0.1936	
Total	\$0.1393				\$0.3012	116.22%
Terminal Expense	\$42,934	\$476,581	1455917			
Tons of Baggage and Cargo Enpl	289,713	1,328,296	\$555,232			
Cost per Ton Enplaned	\$148.19	\$358.79	1,455,917	6.29%	\$418.10	182.14%

- 1/ Per Order 79-7-17, Appendix C
- 2/ Appendix C-3-P for non-fuel data and DOT Form 41, and #5145.2 for fuel.
- 3/ 2000 unit costs divided by 1999 unit costs less the value of 1.
- 4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 34.52% annual increase for fuel produces a 57.74% increase ( $1.3452 \times 1.17265 = 1.5774$ ) in fuel costs for an 18 month period.



**COST ADJUSTMENT FACTORS**  
(Expenses in Thousands)

**TRANSBORDER RATE AREA**

		Year Ended June 30,		Year to Year	Estimated	Percent Change
		1999 3/	2000 3/	% Change 4/	Unit Cost at June 30, 2001 5/	CY 1974 to June 30, 2001
<b>Linehaul Expense 1/</b>	<b>CY 1974 2/</b>					
Fuel		\$4,415,781	\$5,851,719			
Other		<u>\$18,442,532</u>	<u>\$19,991,672</u>			
Total		\$22,858,313	\$25,843,391			
Available Ton-miles (000)		66,702,589	71,184,864			
Fuel Cost/ATM		\$0.06620	\$0.08220	24.17%	\$0.11440	
Other Cost/ATM		\$0.27649	\$0.28084	1.57%	<u>\$0.28749</u>	
Total		\$0.15307			\$0.40189	162.55%
<b>Terminal Expense</b>						
Terminal Departure Related Exp.		\$965,920	\$4,433,029			
Available Ton-Miles (000)		<u>31,929,297</u>	<u>66,702,589</u>			
Cost per Available Ton-Mile		\$0.03025	\$0.06646			
Terminal Expense		\$613,632	<u>\$3,675,734</u>			
Tons of Baggs & Cargo Enplaned		<u>5,228,239</u>	<u>8,484,946</u>			
Cost per Ton Enplaned		\$117.37	\$433.21	0.13%	\$434.62	270.30%

1/ Includes linehaul and terminal taxi expense.

2/ Per Order 78-11-80, Appendix F.

3/ Appendix C-4-T for non-fuel data and DOT Form 41, and #5145.2 for fuel.

4/ 2000 unit costs divided by 1999 unit costs less the value of 1.

5/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 24.17% annual increase for fuel produces a 39.18% increase ( $1.2417 \times 1.12085 = 1.3918$ ) in fuel cost for an 18 month period.

INTERNATIONAL SERVICE MAIL RATES  
SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL  
(Expenses in Thousands of Dollars)

ATLANTIC RATE AREA

<u>Year Ended June 30, 1999</u>	<u>American</u>	<u>Continental</u>	<u>Delta</u>	<u>Northwest</u>	<u>TWA</u>	<u>United</u>	<u>Total</u>
Fuel Expense	\$155,795	\$108,990	\$213,133	\$97,169	\$38,498	\$163,319	\$776,904
Linehaul Expense 1/	\$977,921	\$561,334	\$955,233	\$480,555	\$256,893	\$870,585	\$4,102,521
Terminal Expense 2/	\$136,835	\$60,836	\$99,439	\$47,098 4/	\$35,157	\$123,393	\$502,758
Available Ton-miles (000)	3,818,495	2,076,569	4,460,581	1,737,717	884,528	3,863,193	16,841,083
Tons of Baggage & Cargo Enplaned 3/	229,607	139,181	258,799	83,763	39,800	228,332	979,482

<u>Year Ended June 30, 2000</u>							
Fuel Expense	\$202,024	\$208,810	\$293,174	\$167,198	\$54,485	\$231,548	\$1,157,239
Linehaul Expense 1/	\$1,014,993	\$769,811	\$1,109,029	\$587,663	\$286,167	\$985,122	\$4,752,785
Terminal Expense 2/	\$149,512	\$70,429	\$104,089	\$53,190 4/	\$34,091	\$132,607	\$543,918
Available Ton-miles (000)	4,278,374	2,797,648	4,805,130	2,006,799	845,475	4,132,285	18,865,711
Tons of Baggage & Cargo Enplaned 3/	270,616	189,632	286,037	104,817	35,808	251,129	1,138,039

Sources: DOT Form 41 Reports

- 1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.  
 2/ Traffic servicing expense-cargo and baggage (Cost Pool 112, Version 6 Costing Methodology, Updated, and related G&A expense.  
 3/ Baggage weighted at .0175 per passenger.  
 4/ Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense, 63.34 and 65.96 percent for 1999 and 2000, respectively.

INTERNATIONAL SERVICE MAIL RATES  
SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL  
(Expenses in Thousands of Dollars)

LATIN AMERICAN RATE AREA

<u>Year Ended June 30, 1999</u>	<u>American</u>	<u>Delta</u>	<u>United</u>	<u>Total</u>
Fuel Expense	\$221,318	\$28,775	\$74,890	\$324,983
Linehaul Expense 1/	\$1,315,874	\$160,378	\$415,794	\$1,892,046
Terminal Expense 2/	\$148,890	\$14,765	\$33,487	\$197,142
Available Ton-miles (000)	4,047,187	595,092	1,602,334	6,244,613
Tons of Baggage & Cargo Enplaned 3/	352,800	45,697	92,711	491,208
<u>Year Ended June 30, 2000</u>				
Fuel Expense	\$264,515	\$51,444	\$85,454	\$401,413
Linehaul Expense 1/	\$1,394,514	\$252,616	\$404,162	\$2,051,292
Terminal Expense 2/	\$156,984	\$17,229	\$33,913	\$208,126
Available Ton-miles (000)	4,169,873	656,113	1,441,963	6,267,949
Tons of Baggage & Cargo Enplaned 3/	366,507	53,752	94,919	515,178

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.

2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), per Version 6 Costing Methodology, Updated, and related G&A expense.

3/ Baggage weighted at .0175 per passenger.

**SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL**  
(Expenses in Thousands of Dollars)

**PACIFIC RATE AREA**

	Continental Micronesia	Federal Express	Northwest	United	Total
<b>Year Ended June 30, 1992</b>					
Fuel Expense	\$48,410	\$76,882	\$287,029	\$328,496	\$740,817
Linehaul Expense 1/	\$299,737	\$703,090	\$1,407,568	\$1,544,028	\$3,954,423
Terminal Expense 2/	\$13,774	\$202,718	\$175,158 4/	\$84,931	\$476,581
Available Ton-miles (000)	871,576	2,682,006	5,043,698	6,009,411	14,606,691
Tons of Baggage & Cargo Enplaned 3/	106,099	474,047	431,702	316,448	1,328,296
<b>Year Ended June 30, 2000</b>					
Fuel Expense	\$57,938	\$128,727	\$447,980	\$387,069	\$1,021,714
Linehaul Expense 1/	\$252,076	\$871,195	\$1,549,713	\$1,480,983	\$4,153,967
Terminal Expense 2/	\$7,828	\$264,698	\$195,530 4/	\$87,176	\$555,232
Available Ton-miles (000)	610,862	2,929,550	5,545,790	5,897,621	14,983,823
Tons of Baggage & Cargo Enplaned 3/	60,812	546,521	536,025	312,559	1,455,917

Sources: DOT Form 41 Reports

- 1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.  
 2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), Version 6 Costing Methodology, Updated, and related G&A expense.  
 3/ Baggage weighted at .0175 per passenger.  
 4/ Adjust to reflect the fixed ratio of 79.72% of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense extant in YE 9/30/88.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL  
(Expenses in Thousands of Dollars)

TRANSBORDER RATE AREA

	TRANSBORDER RATE AREA				Continental			
	American	Continental	Delta	Northwest	United	US Airways	LAD	Total
<b><u>Year Ended June 30, 1999</u></b>								
Fuel Expense	\$911,849	\$391,138	\$1,068,329	\$533,770	\$987,872	\$431,943	\$90,880	\$4,415,781
Linehaul & Terminal Taxi <sup>1/</sup>	\$4,499,247	\$2,470,704	\$4,624,751	\$2,590,839	\$5,284,855	\$2,957,847	\$430,070	\$22,858,313
Terminal Departure Exp. <sup>2/</sup>	\$890,608	\$278,998	\$930,368	\$592,546	\$928,980	\$771,608	\$39,921	\$4,433,029
Terminal Expense <sup>3/</sup>	\$928,058	\$220,442	\$645,262	\$577,893 <sup>5/</sup>	\$826,934	\$454,988	\$22,157	\$3,675,734
Available Ton-Miles (000)	14,811,825	6,103,686	14,580,988	7,778,248	15,454,154	6,816,572	1,157,116	66,702,589
Tons of Bag. and Cargo Emp. <sup>4/</sup>	1,436,784	784,600	2,240,607	976,086	1,894,870	1,064,056	87,943	8,484,946
						Est. <sup>6/</sup>		

<b>Year Ended June 30, 2000</b>								
Fuel Expense	\$1,176,247	\$647,248	\$1,111,709	\$635,062	\$1,189,874	\$758,560	\$133,019	\$5,851,719
Linehaul & Terminal Taxi <sup>1/</sup>	\$5,153,374	\$2,860,357	\$4,989,440	\$3,042,036	\$5,703,692	\$3,626,460	\$468,032	\$25,843,391
Terminal Departure Exp. <sup>2/</sup>	\$946,652	\$308,735	\$957,549	\$626,375	\$1,003,008	\$997,532	\$42,728	\$4,882,579
Terminal Expense <sup>3/</sup>	\$981,198	\$258,542	\$657,268	\$621,993 <sup>5/</sup>	\$846,472	\$395,050	\$24,463	\$3,784,986
Available Ton-Miles (000)	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	1,200,741	71,184,864
Tons of Bag. and Cargo Emp. <sup>4/</sup>	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	94,989	8,725,737

Sources: DOT Form 41 Reports

- <sup>1/</sup> Includes the following cost pools per the Version 6 Costing Methodology, Updated: flying operations expense (less rentals) (11), flight equipment maintenance expenses (12), flight equipment depreciation, obsolescence and amortization (13), flight equipment rentals (14), aircraft servicing-control expense (19), and related general and administrative expenses (121).
- <sup>2/</sup> Includes the following cost pools as defined in the Version 6 Costing Methodology, Updated: Aircraft servicing-line servicing expense (18), landing fees (110), maintenance-ground property and equipment (118), depreciation-general ground property and eqpt. and amortization (less directly assignable portion) (119), depreciation-maintenance equipment (120), and related general and administrative expenses (121).
- <sup>3/</sup> Traffic servicing cargo and baggage cost pool (112) per the Version 6 Costing Methodology, Updated, and related G&A Expense (121).
- <sup>4/</sup> Baggage weighted at .015895 per passenger.
- <sup>5/</sup> Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense of 70.24 and 69.39 percent for 1999 and 2000, respectively.
- <sup>6/</sup> Charlotte mail tons enplaned for QE 3/31/99 were mis-reported which carried over to the total. Number shown reflects DOT's estimate using the average of QE 12/31/98 and QE 6/30/99 Mail TE at Charlotte.

## COMPARISON OF UNIT COSTS BY CARRIER

## ATLANTIC RATE AREA

	American	Continental	Delta	Northwest	TWA	United	Total
<b>Unit Cost of Fuel</b>							
Year Ended June 30, 1999	\$0.0408	\$0.0525	\$0.0478	\$0.0559	\$0.0435	\$0.0423	\$0.0461
Year Ended June 30, 2000	\$0.0472	\$0.0746	\$0.0610	\$0.0833	\$0.0644	\$0.0560	\$0.0613
Percentage Change	15.69%	42.10%	27.62%	49.02%	48.05%	32.39%	32.97%
<b>Unit Cost of Nonfuel</b>							
Year Ended June 30, 1999	\$0.2153	\$0.2178	\$0.1664	\$0.2206	\$0.2469	\$0.1831	\$0.1975
Year Ended June 30, 2000	\$0.1900	\$0.2005	\$0.1698	\$0.2095	\$0.2740	\$0.1824	\$0.1906
Percentage Change	-11.75%	-7.94%	2.04%	-5.03%	10.98%	-0.38%	-3.49%
<b>Unit Cost of Fuel + Nonfuel</b>							
Year Ended June 30, 1999	\$0.2561	\$0.2703	\$0.2141	\$0.2765	\$0.2904	\$0.2254	\$0.2436
Year Ended June 30, 2000	\$0.2372	\$0.2752	\$0.2308	\$0.2928	\$0.3385	\$0.2384	\$0.2519
Percentage Change	-7.38%	1.81%	7.80%	5.90%	16.56%	5.77%	3.41%
<b>Unit Cost Terminal</b>							
Year Ended June 30, 1999	\$595.95	\$437.10	\$384.23	\$562.28	\$883.34	\$540.41	\$513.29
Year Ended June 30, 2000	\$552.49	\$371.40	\$363.90	\$507.46	\$952.05	\$528.04	\$477.94
Percentage Change	-7.29%	-15.03%	-5.29%	-9.75%	7.78%	-2.29%	-6.89%
<b>Available Ton-Miles</b>							
Year Ended June 30, 1999	3,818,495	2,076,569	4,460,581	1,737,717	884,528	3,863,193	16,841,083
Year Ended June 30, 2000	4,278,374	2,797,648	4,805,130	2,006,799	845,475	4,132,285	18,865,711
Percentage Change	12.04%	34.72%	7.72%	15.48%	-4.42%	6.97%	12.02%
<b>Tons of Bag. &amp; Cargo Emp.</b>							
Year Ended June 30, 1999	229,607	139,181	258,799	83,763	39,800	228,332	979,482
Year Ended June 30, 2000	270,616	189,632	286,037	104,817	35,808	251,129	1,138,039
Percentage Change	17.86%	36.25%	10.52%	25.14%	-10.03%	9.98%	16.19%

## COMPARISON OF UNIT COSTS BY CARRIER

## LATIN AMERICAN RATE AREA

	American	Delta	United	Total
<u>Unit Cost of Fuel</u>				
Year Ended June 30, 1999	\$0.0547	\$0.0484	\$0.0467	\$0.0520
Year Ended June 30, 2000	\$0.0634	\$0.0784	\$0.0593	\$0.0640
Percentage Change	15.90%	61.98%	26.98%	23.08%
<u>Unit Cost of Nonfuel</u>				
Year Ended June 30, 1999	\$0.2704	\$0.2211	\$0.2128	\$0.2509
Year Ended June 30, 2000	\$0.2710	\$0.3066	\$0.2210	\$0.2632
Percentage Change	0.22%	38.67%	3.85%	4.90%
<u>Unit Cost of Fuel + Nonfuel</u>				
Year Ended June 30, 1999	\$0.3251	\$0.2695	\$0.2595	\$0.3030
Year Ended June 30, 2000	\$0.3344	\$0.3850	\$0.2803	\$0.3273
Percentage Change	2.86%	42.86%	8.02%	8.02%
<u>Unit Cost Terminal</u>				
Year Ended June 30, 1999	\$422.02	\$323.11	\$361.20	\$401.34
Year Ended June 30, 2000	\$428.32	\$320.53	\$357.28	\$403.99
Percentage Change	1.49%	-0.80%	-1.09%	0.66%
<u>Available Ton-Miles</u>				
Year Ended June 30, 1999	4,047,187	595,092	1,602,334	6,244,613
Year Ended June 30, 2000	4,169,873	656,113	1,441,963	6,267,949
Percentage Change	3.03%	10.25%	-10.01%	0.37%
<u>Tons of Bag. &amp; Cargo Imp.</u>				
Year Ended June 30, 1999	352,800	45,697	92,711	491,208
Year Ended June 30, 2000	366,507	53,752	94,919	515,178
Percentage Change	3.89%	17.63%	2.38%	4.88%

## COMPARISON OF UNIT COSTS BY CARRIER

## PACIFIC RATE AREA

	Continental Micronesia	Federal Express	Northwest	United	Total
<u>Unit Cost of Fuel</u>					
Year Ended June 30, 1999	\$0.0555	\$0.0287	\$0.0569	\$0.0547	\$0.0507
Year Ended June 30, 2000	\$0.0948	\$0.0439	\$0.0808	\$0.0656	\$0.0682
Percentage Change	70.81%	52.96%	42.00%	19.93%	34.52%
<u>Unit Cost of Nonfuel</u>					
Year Ended June 30, 1999	\$0.2884	\$0.2335	\$0.2222	\$0.2023	\$0.2200
Year Ended June 30, 2000	\$0.3178	\$0.2534	\$0.1987	\$0.1855	\$0.2090
Percentage Change	10.19%	8.52%	-10.58%	-8.30%	-5.00%
<u>Unit Cost of Fuel + Nonfuel</u>					
Year Ended June 30, 1999	\$0.3439	\$0.2622	\$0.2791	\$0.2569	\$0.2707
Year Ended June 30, 2000	\$0.4127	\$0.2974	\$0.2794	\$0.2511	\$0.2772
Percentage Change	20.01%	13.42%	0.11%	-2.26%	2.40%
<u>Unit Cost Terminal</u>					
Year Ended June 30, 1999	\$129.82	\$427.63	\$405.74	\$268.39	\$358.79
Year Ended June 30, 2000	\$128.72	\$484.33	\$364.78	\$278.91	\$381.36
Percentage Change	-0.85%	13.26%	-10.10%	3.92%	6.29%
<u>Available Ton-Miles</u>					
Year Ended June 30, 1999	871,576	2,682,006	5,043,698	6,009,411	14,606,691
Year Ended June 30, 2000	610,862	2,929,550	5,545,790	5,897,621	14,983,823
Percentage Change	-29.91%	9.23%	9.95%	-1.86%	2.58%
<u>Tons of Bag. &amp; Cargo Emp.</u>					
Year Ended June 30, 1999	106,099	474,047	431,702	316,448	1,328,296
Year Ended June 30, 2000	60,812	546,521	536,025	312,559	1,455,917
Percentage Change	-42.68%	15.29%	24.17%	-1.23%	9.61%



COMPARISON OF COSTS, TRANSBORDER RATE AREA  
Continental

	American	Continental	Delta	Northwest	United	USAirways	LAD	Total
<u>Unit Cost of Fuel</u>								
Year Ended June 30, 1999	\$0.06156	\$0.06408	\$0.07327	\$0.06862	\$0.06392	\$0.06337	\$0.07854	\$0.06620
Year Ended June 30, 2000	\$0.07272	\$0.10141	\$0.07176	\$0.09574	\$0.07443	\$0.10500	\$0.11078	\$0.08220
Percentage Change	18.13%	58.26%	-2.06%	39.52%	16.44%	65.69%	41.05%	24.17%
<u>Unit Cost of Nonfuel</u>								
Year Ended June 30, 1999	\$0.24220	\$0.34071	\$0.24391	\$0.26446	\$0.27805	\$0.37055	\$0.29313	\$0.27649
Year Ended June 30, 2000	\$0.24587	\$0.34675	\$0.25029	\$0.25302	\$0.28235	\$0.39699	\$0.27901	\$0.28084
Percentage Change	1.52%	1.77%	2.62%	-4.33%	1.55%	7.14%	-4.82%	1.57%
<u>Unit Cost of Fuel + Nonfuel</u>								
Year Ended June 30, 1999	\$0.30376	\$0.40479	\$0.31718	\$0.33309	\$0.34197	\$0.43392	\$0.37167	\$0.34269
Year Ended June 30, 2000	\$0.31859	\$0.44816	\$0.32205	\$0.34876	\$0.35678	\$0.50200	\$0.38979	\$0.36305
Percentage Change	4.88%	10.71%	1.54%	4.70%	4.33%	15.69%	4.88%	5.94%
<u>Unit Cost A/C Svc. &amp; Grid.</u>								
Year Ended June 30, 1999	\$0.06013	\$0.04571	\$0.06381	\$0.07618	\$0.06011	\$0.11320	\$0.03450	\$0.06646
Year Ended June 30, 2000	\$0.05852	\$0.04837	\$0.06181	\$0.07181	\$0.06274	\$0.13808	\$0.03558	\$0.06859
Percentage Change	-2.68%	5.82%	-3.13%	-5.74%	4.38%	21.98%	3.13%	3.20%
<u>Unit Cost Terminal</u>								
Year Ended June 30, 1999	\$645.93	\$280.96	\$287.99	\$592.05	\$436.41	\$427.60	\$251.95	\$433.21
Year Ended June 30, 2000	\$642.87	\$320.09	\$293.62	\$556.43	\$443.19	\$383.37	\$257.54	\$433.77
Percentage Change	-0.47%	13.93%	1.95%	-6.02%	1.55%	-10.34%	2.22%	0.13%
<u>Available Ton-Miles</u>								
Year Ended June 30, 1999	14,811,825	6,103,686	14,580,980	7,778,248	15,454,154	6,816,572	1,157,116	66,702,581
Year Ended June 30, 2000	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	1,200,741	71,184,864
Percentage Change	9.21%	4.57%	6.25%	12.14%	3.45%	5.98%	3.77%	6.72%
<u>Tons of Bag. &amp; Cargo Emp.</u>								
Year Ended June 30, 1999	1,436,784	784,600	2,240,607	976,086	1,894,870	1,064,056	87,943	8,484,946
Year Ended June 30, 2000	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	94,989	8,725,737
Percentage Change	6.23%	2.95%	-0.10%	14.52%	0.80%	-3.16%	8.01%	2.84%

## Historical Trends in Costs Underlying International Mail Rates

## ATLANTIC DATA BASE

Order Number	Year Ended	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton
1.	90-1-59	\$0.0747	\$0.1852	\$396.32
2.	91-8-5	\$0.0731	\$0.1967	\$475.33
3.	91-8-5	\$0.0882	\$0.2060	\$508.24
4.	92-4-30	\$0.1039	\$0.2444	\$657.51
5.	94-8-27	\$0.0775	\$0.2161	\$617.80
6.	95-6-32	\$0.0743	\$0.2141	\$563.42
7.	95-6-32	\$0.0653	\$0.2077	\$470.30
8.	97-5-23	\$0.0600	\$0.1976	\$465.09
9.	97-5-23	\$0.0661	\$0.2071	\$469.76
10.	99-4-1	\$0.0719	\$0.1967	\$457.22
11.	99-4-1	\$0.0573	\$0.1949	\$443.61
12.	New	\$0.0461	\$0.1975	\$513.29
13.	New	\$0.0613	\$0.1906	\$477.94

## LATIN DATA BASE

Order Number	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton
90-1-59	\$0.0955	\$0.2238	\$270.79
91-8-5	\$0.0614	\$0.2692	\$261.26
91-8-5	\$0.1025	\$0.2713	\$295.57
92-4-30	\$0.1196	\$0.2640	\$352.64
94-8-27	\$0.0882	\$0.2764	\$367.71
95-6-32	\$0.0809	\$0.2625	\$295.28
95-6-32	\$0.0674	\$0.2521	\$277.17
97-5-23	\$0.0636	\$0.2471	\$308.47
97-5-23	\$0.0679	\$0.2568	\$338.34
99-4-1	\$0.0758	\$0.2518	\$324.00
99-4-1	\$0.0640	\$0.2572	\$358.10
99-10-23	\$0.0520	\$0.2509	\$401.34
New	\$0.0640	\$0.2632	\$403.99

## PACIFIC DATA BASE

Order Number	Year Ended	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton
1.	90-1-59	\$0.0730	\$0.1490	\$211.67
2.	91-8-5	\$0.0807	\$0.1724	\$259.58
3.	91-8-5	\$0.0881	\$0.1809	\$269.40
4.	92-4-30	\$0.1066	\$0.1870	\$328.19
5.	94-8-27	\$0.0771	\$0.1925	\$331.93
6.	95-6-32	\$0.0741	\$0.1871	\$322.75
7.	95-6-32	\$0.0671	\$0.1931	\$345.47
8.	97-5-23	\$0.0665	\$0.2038	\$391.95
9.	97-5-23	\$0.0736	\$0.2125	\$378.83
10.	99-4-1	\$0.0795	\$0.2115	\$372.36
11.	99-4-1	\$0.0628	\$0.2178	\$345.92
12.	99-10-23	\$0.0507	\$0.2200	\$358.79
13.	New	\$0.0682	\$0.2090	\$381.36

## TRANSBORDER DATA BASE

Order Number	Fuel \$/ATM	Other \$/ATM	Terminal \$/ATM	Terminal \$/TON
90-1-59	\$0.0879	\$0.19361	\$0.05836	\$299.56
91-8-5	\$0.0877	\$0.20371	\$0.06102	\$318.19
91-8-5	\$0.1029	\$0.22114	\$0.06388	\$343.75
92-4-30	\$0.1127	\$0.23374	\$0.06822	\$353.37
94-8-27	\$0.0905	\$0.23443	\$0.06726	\$337.85
95-6-32	\$0.0851	\$0.24185	\$0.06708	\$360.13
95-6-32	\$0.0768	\$0.24608	\$0.06673	\$345.30
97-5-23	\$0.0743	\$0.24389	\$0.06248	\$355.85
97-5-23	\$0.0830	\$0.26021	\$0.06220	\$370.78
99-4-1	\$0.0914	\$0.25464	\$0.06377	\$391.56
99-4-1	\$0.0779	\$0.26798	\$0.06365	\$389.35
New	\$0.0662	\$0.27649	\$0.06646	\$433.21
New	\$0.0822	\$0.28084	\$0.06859	\$433.77